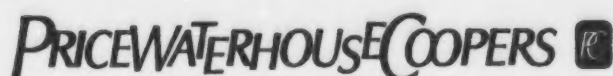




Consolidated Financial Statements of

**SASKATCHEWAN TELECOMMUNICATIONS
INTERNATIONAL INC.**

December 31, 2000



PricewaterhouseCoopers LLP
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February 2, 2001

Auditors' Report

**To the Members of the Legislative Assembly,
Province of Saskatchewan**

We have audited the consolidated statement of financial position of **Saskatchewan Telecommunications International, Inc.** as at December 31, 2000 and the consolidated statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year's consolidated financial statements were audited by another firm of Chartered Accountants who provided their audit report dated February 21, 2000.

PricewaterhouseCoopers LLP

Chartered Accountants

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31
(Thousands of dollars)

	2000	1999
Sales and consulting	\$ 22,188	\$ 18,834
<u>Direct expenses</u>	<u>16,054</u>	<u>14,146</u>
Gross profit	6,134	4,688
<u>Operating expenses</u>	<u>4,770</u>	<u>4,515</u>
Operating income	1,364	173
Other items (Note 3)	171	64
<u>Income from management contract (Note 5)</u>	<u>614</u>	<u>5,625</u>
<u>Net income</u>	<u>\$ 2,149</u>	<u>\$ 5,862</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31
(Thousands of dollars)

	2000	1999
Retained earnings, beginning of year	\$ 6,500	\$ 3,862
<u>Net income</u>	<u>2,149</u>	<u>5,862</u>
	8,649	9,724
<u>Dividends</u>	<u>1,183</u>	<u>3,224</u>
<u>Retained earnings, end of year</u>	<u>\$ 7,466</u>	<u>\$ 6,500</u>

See Accompanying Notes

SASKATCHEWAN TELECOMMUNICATIONS INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

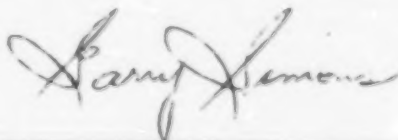
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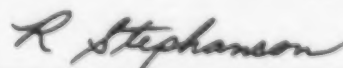
As at December 31
(Thousands of dollars)

	2000	1999
Assets		
Current assets		
Cash	\$ 1,229	\$ 1,131
Short-term investments (Note 4)	4,318	6,441
Accounts receivable	3,096	3,341
Due from SaskTel Holding (New Zealand) Inc. (Note 5)	1,967	2,813
Work in process	1,469	1,397
	12,079	15,123
Furniture and equipment (Note 6)	377	508
	<u>\$ 12,456</u>	<u>\$ 15,631</u>
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable	\$ 2,413	\$ 1,811
Unearned revenue	987	3,750
Dividend payable	590	2,570
	3,990	8,131
Shareholder's equity		
Share capital		
Authorized-unlimited number of class A common shares		
Issued - 1,000,000 shares	1,000	1,000
Retained earnings	7,466	6,500
	8,466	7,500
	<u>\$ 12,456</u>	<u>\$ 15,631</u>

See Accompanying Notes

On behalf of the Board





SASKATCHEWAN TELECOMMUNICATIONS INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

Page 3

For the year ended December 31
(Thousands of dollars)

	2000	1999
Cash provided by (used in):		
Operating activities		
Net income	\$ 2,149	\$ 5,862
Items not affecting cash from operations	206	110
Net change in non-cash working capital items (Note 7)	(1,201)	(3,966)
	<u>1,154</u>	<u>2,006</u>
Financing activities		
Dividend payments	(3,163)	(1,478)
	<u>(3,163)</u>	<u>(1,478)</u>
Investing activities		
Purchase of furniture and equipment	(16)	(54)
	<u>(16)</u>	<u>(54)</u>
(Decrease) increase in cash	(2,025)	474
Cash and cash equivalents, beginning of year	7,572	7,098
Cash and cash equivalents, end of year	<u>\$ 5,547</u>	<u>\$ 7,572</u>
Comprised of:		
Cash	\$ 1,229	\$ 1,131
Short-term investments	4,318	6,441
	<u>\$ 5,547</u>	<u>\$ 7,572</u>

See Accompanying Notes

Note 1 -- The Corporation

Saskatchewan Telecommunications International, Inc. (the Corporation) is incorporated under the laws of the Province of Saskatchewan. The Corporation is a wholly owned subsidiary of Saskatchewan Telecommunications Holding Corporation (Holdco) with the mandate of pursuing core telecommunications business opportunities worldwide.

The financial results of the Corporation are included in the consolidated financial statements of Holdco. As a wholly owned subsidiary of Holdco, a Saskatchewan Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada.

Note 2 -- Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The most significant policies are outlined below.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, SaskTel International Consulting, Inc. and Saskatchewan Telecommunications International (Tanzania), Inc. All significant intercompany transactions and balances have been eliminated.

Revenue

Operating revenues from the sale of software, equipment and consulting services are recognized at the point of sale or when services are performed. For longer term consulting contracts, the percentage of completion method is used.

Work in process

Work in process is valued at the lower of cost and net realizable value.

Furniture and equipment

Furniture and equipment is recorded at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over 17 and 4 years for furniture and equipment respectively.

Unearned revenue

Unearned revenue is comprised of amounts billed to customers for which services have yet to be delivered.

Foreign currency translation

Monetary assets expressed in foreign currencies are recorded in Canadian dollars at the foreign exchange rate prevailing at year-end. Foreign exchange gains and losses arising on translation are charged to income or expense in the current year. Unrealized gains and losses on monetary assets identified as hedges are deferred and recognized on a basis consistent with the underlying hedged transactions.

Note 3 -- Restructuring charges

Other items include restructuring charges of \$0.2 million for the employee voluntary separation program offered in 2000.

Note 4 -- Short-term investments

The balance consists of funds invested with Holdco at an average current market interest rate of 5.36% (1999 - 4.69%) and have no specified repayment terms.

Note 5 -- Due from SaskTel Holding (New Zealand) Inc.

SaskTel Holding (New Zealand) Inc. held 13,659,574 common shares of Austar United Communications Limited (Austar) at December 31, 1999 of which the value of 612,617 shares at \$4.59 per share was ascribed to the amount due to SaskTel International. When the shares in Austar are sold by SaskTel Holding (New Zealand) Inc., the proceeds will be paid to SaskTel International. The amount due from SaskTel Holding (New Zealand) Inc. is recorded at the lower of carrying value or the fair value of the shares in Austar. Due to the long-term nature of this investment the current trading price is not always indicative of the final net realizable amount by the Corporation.

During 2000, 4,109,000 shares were sold by SaskTel Holding (New Zealand) Inc. at average share price of \$7.92. Of these shares, the value of 184,284 shares or \$1.5 million was ascribed to SaskTel International. The carrying value of the amount due from SaskTel Holding (New Zealand) Inc. attributed to the ascribed shares was \$0.9 million. The Corporation recorded income from management contract of \$0.6 million.

At December 31, 2000, SaskTel Holding (New Zealand) Inc. held 428,333 shares attributable to the amount due to SaskTel International.

Note 6 -- Furniture and equipment

	2000 (Thousands of dollars)	1999
Furniture and equipment	\$ 658	\$ 775
Less: Accumulated depreciation	281	267
	<u>\$ 377</u>	<u>\$ 508</u>

Note 7 -- Net change in non-cash working capital items

	2000 (Thousands of dollars)	1999
Accounts receivable	\$ 245	\$ 460
Due from SaskTel Holding (New Zealand) Inc.	846	(2,813)
Work in process	(72)	(1,010)
Accounts payable	543	(3,015)
Unearned revenue	(2,763)	2,412
	<u>\$ (1,201)</u>	<u>\$ (3,966)</u>

Note 8 --Financial instruments

The Corporation's primary business is international telecommunications consulting, through contracts, which entails exposure to foreign exchange risk. The Corporation's foreign exchange risk relates primarily to the risk that the market value of accounts receivable and the associated revenues, and accounts payable and the associated expenses will fluctuate due to changes in exchange rates. A portion of the Corporation's accounts receivable and accounts payable are denominated in US Dollars, Euros and Tanzania Schillings.

The Corporation is exposed to credit risk relating to accounts receivable balances from international contracts. The accounts receivable balances are primarily from large telecommunications companies or international government development agencies.

Note 9 -- Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan and Holdco (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2000	1999
	(Thousands of dollars)	
Sales and consulting	\$ 1,914	\$ 3,047
Direct and operating expenses	1,439	2,185
Short-term investments	4,318	6,441
Accounts receivable	2,100	382
Accounts payable	854	74

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.

Note 10 -- Comparatives

1999 figures have been reclassified to conform to the current year's presentation.